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TAGS: ETRD, OECD

SUBJ: OECD TRADE COMMITTEE: NOV. 29-30

1. SUMMARY: TRADE COMMITTEE'S REVIEW OF ECONOMIC DEVELOPMENTS AND FIRST EXCHANGE OF VIEWS ON FUTURE OF TRADE PLEDGE INDICATED BROAD AGREEMENT THAT WORLD ECONOMIC PROSPECTS GIVE NO CAUSE FOR RELAXATION OF EFFORTS TO MAINTAIN AN OPEN TRADING SYSTEM. COMMITTEE ACCORDINGLY SET SECRETARIAT AND TCWP TO WORK EXAMINING OPTIONS FOR RENEWAL OR REPLACEMENT OF PLEDGE AND IMPROVEMENTS IN OECD CONSULTATION MECHANISMS. SIMILARLY TC HAD CONSTRUCTIVE DISCUSSION OF EAST/WEST TRADE QUESTIONS AND SET WORK IN MOTION ON BROAD RANGE OF TOPICS INCLUDING TRADE AND CREDIT TRENDS, RECIPROCITY, AND EXPORT PRICING. COMMITTEE ENCOURAGED

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CONTINUATION OF ONGOING WORK IN FIELDS OF PREFERENCES,

SPECIAL AND DIFFERENTIAL TREATMENT, EXPORT CREDITS, AND EXPORT CONTROLS. WITH RESPECT TO GOVERNMENT PURCHASING, CLEANED UP VERSION OF DRAFT CODE WAS CLEARED FOR TRANSMISSION TO GATT FOR USE IN RELEVANT MTN SUBGROUP. NEXT MEETING OF TC WAS SCHEDULED FOR MARCH 22-23, 1977. END SUMMARY.

2. FUTURE OF THE TRADE PLEDGE: TRADE COMMITTEE'S EXTENSIVE EXCHANGE OF VIEWS ON PROSPECTIVE ECONOMIC SITUATION FOR 1976-77 AND IMPLICATIONS FOR TRADE POLICY REVEALED BROAD CONSENSUS THAT OUTLOOK GAVE NO GROUNDS FOR COMPLACENCY. THERE WAS GENERAL AGREEMENT THAT SPECIAL EFFORTS WOULD NEED TO BE MADE TO MAINTAIN AN OPEN WORLD TRADING SYSTEM AND THAT SUCH EFFORTS SHOULD BE PUT INTO A GLOBAL POLICY PERSPECTIVE, INVOLVING SHARED RESPONSIBILITY AND COOPERATION BEYOND PURELY LEGAL OBLIGATIONS. DELS GENERALLY FELT DECISION ON HANDLING OF FUTURE OF TRADE PLEDGE WOULD BE PREMATURE AT THIS POINT AND SECRETARIAT AND TCWP WERE COMMISSIONED TO EXAMINE VARIOUS OPTIONS FOR RENEWAL OR REPLACEMENT OF EXISTING PLEDGE, AS WELL AS US PROPOSAL FOR IMPROVING OECD CONSULTATION MECHANISMS. TC ITSELF WILL THEN TAKE UP QUESTION AGAIN IN SPRING OF 1977.

3. TONE OF TC'S TRADE PLEDGE DISCUSSION WAS SET BY SECRETARIAT'S REPORT OF RESULTS OF RECENT MEETING OF OECD ECONOMIC POLICY COMMITTEE AND US INTERVENTION WHICH STRESSED NEED FOR STRONGER AND WEAKER COUNTRIES TO ASSUME SHARED RESPONSIBILITY FOR COPING WITH EXPECTED LARGE AND UNEVENLY DISTRIBUTED DC TRADE DEFICIT IN SUCH A WAY THAT TRADING SYSTEM REMAINED OPEN. US DEL SAID THAT US WAS READY TO ASSUME ITS SHARE OF THIS RESPONSIBILITY (NOTING THAT US TRADE BALANCE WAS SWINGING INTO DEFICIT BY AN ESTIMATED \$20 BILLION OVER 1975-77) AND ASKED THE STRONGER OECD COUNTRIES TO JOIN TGPU HE SUGGESTED THAT, IN ADDITION TO STUDYING PLEDGE RENEWAL OPTIONS, TRADE COMMITTEE SHOULD ALSO MAKE HABIT OF EXAMINING MEDIUM TERM ECONOMIC PICTURE AND STRENGTHEN ITS OWN TRADE POLICY CONSULTATION PROCEDURES LIMITED OFFICIAL USE

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TO MAKE BETTER USE OF BOTH SECRETARIAT AND WORK OF OTHER OECD BODIES TO CONSIDER TRADE MEASURES IN THEIR TOTAL CONTEXT.

4. INTERVENTIONS BY OTHER DELS WERE BROADLY SUPPORTIVE OF NEED TO CONTINUE DISCIPLINE AND A NUMBER EXPRESSED TENTATIVE VIEWS ON PARTICULAR RENEWAL OPTIONS. EC COMMISSION REP (PHAN VAN PHI) SAW DEFINITE RISK IN NON-

RENEWAL, HAD HESITATIONS ABOUT SIMPLE RENEWAL, AND WAS OPEN MINDED ON SEEKING ALTERNATIVE TO PLEDGE. SWEDEN (BRATTSTROM) HAD SIMILAR VIEW, BUT WAS MORE POSITIVE TOWARD FINDING ALTERNATIVE TO PLEDGE ON GROUNDS THIS WOULD BE MORE EFFECTIVE AT PREVENTING PROTECTIONISM. DENMARK POINTED TO RATIFICATION OF OECD SUPPORT FUND AS IMPORTANT ELEMENT IN EQUATION DETERMINING PRESSURES ON WEAKER COUNTRIES TO TAKE RESTRICTIVE MEASURES. FRG (KEMPER) EXPRESSED WILLINGNESS TO ASSUME ITS SHARE OF RESPONSIBILITY AS STRONG COUNTRY BUT NOTED THAT TRADE

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RESTRICTIONS WERE OF NO BENEFIT TO EITHER STRONG OR WEAK. GERMAN DEL ALSO FAVORED EXAMINATION OF MORE GENERAL AND PERMANENT DECLARATION TO REPLACE PLEDGE, BUT CAUTIONED THAT ATTEMPT TO BE TOO AMBITIOUS COULD

RESULT IN LOSS OF DISCIPLINE ALREADY ACHIEVED. UK DEL (ABRAMSON) WELCOMED US APPROACH TO PLACING TRADE POLICY IN BROADER ECONOMIC CONTEXT, BUT AT SAME TIME SAID TRADE PLEDGE HAD BEEN DISCREDITED AND QUESTIONED WHETHER RENEWAL WOULD SERVE MUCH PURPOSE. (UK DEL TOLD US PRIVATELY THAT "DISCREDITED" WAS MEANT TO REFER TO MEASURES TAKEN BY SPAIN).

5. NEW ZEALAND AND ITALY LOOKED WITH SOME DISFAVOR ON RENEWAL OF EXISTING PLEDGE, FORMER STRESSING ITS CONCERN ABOUT AGRICULTURAL PROTECTIONISM AND BOTH EXPRESSING VIEW THAT SUBSTANTIAL MODIFICATIONS WERE NEEDED TO COVER LIMITED OFFICIAL USE

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OBLIGATION OF STRONGER COUNTRIES TO AID THE WEAK. SWISS DEL URGED SERIOUS STUDY OF OPTION OF REPLACING PLEDGE, AND EXPRESSED CONCERN ABOUT PROLIFERATION OF TRADE RESTRICTIVE MEASURES DISGUISED AS MONETARY OR SELF-RESTRAINT ACTIONS. JAPAN (MIZOGUCHI) AGREED THERE WAS CONTINUED AND EVEN INCREASED NEED FOR TRADE POLICY COOPERATION AND WAS OPPOSED TO SIMPLE LAPSING OF PLEDGE, AS WELL AS CAUTIOUS ABOUT CHANGING IT. FRANCE (PREVEL) ALSO SUGGESTED STICKING CLOSE TO PRESENT TEXT BECAUSE OF UNCERTAINTY IN ECONOMIC SITUATION AND PROGRESS IN MTN.

6. TRADE RELATIONS WITH DEVELOPING COUNTRIES: US PROPOSAL FOR ECONOMIC ANALYSIS OF VARIOUS KINDS OF SPECIAL AND DIFFERENTIAL TREATMENT (S&D), AND OF WAYS GRADUATION REQUIREMENTS FOR LDC'S OR OTHER ARRANGEMENTS COULD REDUCE POTENTIAL PROBLEMS, MET WITH RESISTANCE FROM EC, CANADA, AND UK, WHO ARGUED THAT OECD WORK HAD GOTTEN OUT IN FRONT OF THAT IN MTN AND THAT ECONOMIC ANALYSIS WAS TOO DIFFICULT OR PREMATURE AT PRESENT STAGE. JAPANESE DEL'S INTERVENTION SUPPORTED NEED FOR ANALYSIS OF WIDE RANGE OF S&D POSSIBILITIES AND EMPHASIZED DIFFICULTY IN PROVIDING S&D, ESPECIALLY IN CONTEXT OF NONDISCRIMINATORY CODES. HE ALSO REFERRED TO PROBLEMS CAUSED, FOR EXAMPLE, IN CIEC WHEN SOME COUNTRIES TRIED TO BE SPECIFIC ABOUT AREAS WHERE S&D WAS FEASIBLE. ALL DELS AGREED HOWEVER THAT POLITICAL COMMITMENT OF TOKYO DECLARATION HAD TO BE TAKEN SERIOUSLY AND THAT OECD WORK DONE THUS FAR HAD BEEN EXTREMELY USEFUL AND SHOULD BE CONTINUED. TRADE COMMITTEE AGREED THAT TCWP SHOULD MEET AGAIN ON SUBJECT IN LATE FEBRUARY AND SECRETARIAT WILL DO WORK REQUESTED OF IT AT TCWP MEETING OF NOV. 24-25. (COMMENT: SECRETARIAT'S PROGRESS IN MAKING ECONOMIC ANALYSIS OF S&D WILL DEPEND HEAVILY ON WHETHER US CAN PROVIDE A MODEL ANALYSIS SOMETIME IN JANUARY).

7. DISCUSSION OF PREFERENCES WAS BRIEF AND RESULTED IN MANDATE FROM TC TO PREFERENCES GROUP TO CONTINUE ITS WORK ON HARMONIZATION, TREATMENT OF POOREST COUNTRIES, BURDEN SHARING, RESPONSE TO LDC DEMANDS, AND GRADUATION. LIMITED OFFICIAL USE

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JAPAN EXPRESSED SOME CONCERN ABOUT MOVEMENT IT PERCEIVES TOWARD OFFERING LDC'S GREATER "SECURITY" OF PREFERENCES, SAYING THIS COULD GIVE LDC'S A LEVER FOR OPPOSING, FOR EXAMPLE, MFN REDUCTIONS ON ITEMS ALSO IN GSP. EC EXPLAINED THAT IT WAS TOTALLY OPPOSED TO BINDING PREFERENCE MARGINS AND THAT ITS IDEA OF SECURITY WAS SIMPLY TO GUARANTEE LDC'S AN EXPLANATION WHEN PARTICULAR PREFERENCES WERE WITHDRAWN. PREFERENCES GROUP CHAIRMAN WINTERMANS INDICATED PRIVATELY THAT US PAPER "THE RELATIONSHIP OF GSP TO THE WORLD TRADING SYSTEM" WOULD BE USED AS BASIS FOR DISCUSSIONS AT NEXT MEETING OF HIS GROUP.

8. EAST/WEST TRADE RELATIONS: LIVELY DISCUSSION ON EAST/WEST QUESTIONS, DURING WHICH MANY DELS EXPRESSED APPRECIATION FOR US HAVING INITIATED THIS PROJECT, RESULTED IN CONSENSUS TO COMMISSION WORK BY SECRETARIAT AND WORKING PARTY ON BROAD RANGE OF TRADE TOPICS SUGGESTED BY SECRETARIAT PAPER (TC(76)24), US, AND OTHER DELS. US DEL OPENED DISCUSSION WITH PROPOSAL FOR WORK ON TRADE AND CREDIT TRENDS, RECIPROCITY, TRADE AND PRICING PRACTICES, AND EAST-SOUTH TRADE. INTERVENTIONS BY OTHER DELS WERE GENERALLY POSITIVE AND SUPPORTIVE OF US AND SECRETARIAT IDEAS. EC GAVE HIGH PRIORITY TO QUESTION OF EASTERN PRICING, WHILE CANADA, JAPAN, AND SWITZERLAND WERE VERY INTERESTED IN RECIPROCITY ISSUE WITH RESPECT TO MTN. FINLAND HAD FAVORABLE ATTITUDE

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TOWARD ANALYTICAL WORK AND URGED SELECTIVE APPROACH
AVOIDING FOCUSING ON DIFFERENCES AMONG OECD MEMBERS.
EC COMMISSION, FINLAND, AND SWEDEN MADE IT CLEAR THAT IN
THEIR VIEW OBJECTIVE OF WORK WAS NOT POLICY COORDINA-
TION BUT TO HELP INDIVIDUAL DELS BETTER UNDERSTAND
ISSUES AND OTHERS' POLICIES. US POINTED OUT THAT IT WAS
PREMATURE TO CLOSE DOORS ON WHAT MIGHT EMERGE FROM
EXERCISE. OUTCOME OF DISCUSSION MADE CLEAR THAT
ULTIMATE COORDINATION IN SOME AREAS WAS NOT FORECLOSED
THOUGH CHAIRMAN'S SUMMATION INDICATES THAT TOTAL
COORDINATION OF POLICIES WAS NOT THE OBJECTIVE ENVIS-
AGED.

9. GOVERNMENT PURCHASING: AS RESULT OF EXTENSIVE
DISCUSSIONS AND NEGOTIATIONS CARRIED OUT BY US DEL ON
FRINGES OF MEETING, TC AGREED THAT DRAFT CODE SHOULD BE
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DERESTRICTED AND SENT TO GATT WITH THREE MINOR CHANGES
IN PACKAGE WORKED OUT AT PLURILATERAL DISCUSSIONS
NOVEMBER 18 (OECD PARIS 34403: VIII IS AMENDED TO ADD
FOOTNOTES FOR AD 32, P. 25, AND FOR AD 16 TO 18, P. 15;
ALSO LIST OF COUNTRIES IN PARA B OF P. 34 IS DELETED).
AT REQUEST OF JAPAN COVER NOTE TRANSMITTING CODE TO
GATT WILL UNDERLINE AD REFERENDUM NATURE OF TEXT. A
SURPRISINGLY LARGE NUMBER OF DELS VOICED DOUBTS THAT

MTN SUBGROUP WOULD BE ABLE TO RESOLVE OUTSTANDING ISSUES OF PROPOSED CODE. PRESENCE OF NORDICS IN THIS GROUP WAS PARTICULARLY UNEXPECTED. TC AGREED TO KEEP THIS SUBJECT ON ITS AGENDA AND THAT TCWP WOULD MEET WHEN WARRANTED BY DEVELOPMENTS IN BILATERAL AND MULTILATERAL CONSULTATIONS AND MTN AND TC ITSELF.

10. EXPORT CREDITS: TRADE COMMITTEE ENCOURAGED EXPORT CREDITS GROUP (ECG) TO CONTINUE ITS WORK IN ALL AREAS, PARTICULARLY WITH RESPECT TO CONVERGENCE OF NATIONAL POLICIES. SWISS, CANADIAN, AND JAPANESE SUPPORT FOR CONTINUED INDEPENDENT WORK BY ECG ON COST ESCALATION INSURANCE WAS OPPOSED BY EC, FRANCE, AND UK. TC AGREED THIS ITEM SHOULD BE KEPT ON AGENDA BUT THAT ECG ITSELF SHOULD DECIDE WHAT FURTHER WORK SHOULD BE DONE.

11. EXPORT CONTROLS: TC AGREED TCWP SHOULD CONTINUE ITS WORK ON THIS TOPIC, BUT AT MODEST PACE IN LINE WITH FACT THAT MAIN LOCUS FOR DISCUSSION OF THIS WAS NOW IN MTN.

12. CHANGES IN TRADE POLICY: AFTER SOME BEATING AROUND BUSH BY EC, WHICH CLEARLY DOES NOT WANT TO HAVE ITS MEAT IMPORT POLICY DISCUSSED, TC AGREED THAT CONSULTATIONS ON US AND CANADIAN MEAT IMPORT ACTIONS REQUESTED BY AUSTRALIA SHOULD TAKE PLACE IN JOINT WORKING PARTY OF TRADE AND AGRICULTURE COMMITTEES (SCHEDULED TO MEET DECEMBER 8-10). AUSTRALIA ALSO COMPLAINED ABOUT FAILURE BY UNNAMED COUNTRY (JAPAN, WHICH RESPONDED) TO NOTIFY RECENT REDUCTION IN ITS MEAT IMPORT QUOTAS, BUT WAS MOLLIFIED BY ASSURANCES AUSTRALIA ITSELF COULD INITIATE CONSULTATIONS, IN LIMITED OFFICIAL USE

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ABSENCE OF NOTIFICATION. ON ITALIAN MEASURES, US DEL MADE BRIEF STATEMENT ALONG LINES OF STATE 286444, AND ITALIANS, AFTER WELCOMING FACT THAT US HAD RAISED SUBJECT, GAVE LENGTHY EXPLANATION OF RATIONALE FOR ACTIONS, INCLUDING CUSTOMARY ARGUMENT THAT THEY WERE MAINLY OF A FINANCIAL RATHER THAN TRADE NATURE. TC AGREED THAT TCWP SHOULD AT AN EARLY DATE DISCUSS THOSE NOTIFICATIONS IT HAS NOT YET HAD A CHANCE TO EXAMINE, MAINLY THOSE OF SPAIN AND PORTUGAL.
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